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Supreme Court of the United States

OCTOBER TERM, 1942

No. 395

TIME INCORPORATED,
Petitioner,

against

VIOBIN CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT

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The Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Time, Incorporated, respectfully prays that a writ of certiorari issue to review a judgment of the United States Circuit Court of Appeals for the Seventh Circuit entered in the above-entitled case June 15, 1942, affirming a judgment of the United States District Court for the Eastern District of Illinois in favor of defendant herein.

Jurisdiction

The jurisdiction of this Court is invoked under §240(a) of the Judicial Code as amended by the Act of February 13, 1925 [43 Stat. 938, 28 U. S. C. §347(a)].

Summary Statement

This case involves a question of importance which has not been decided by this Court:

> Where relief is sought in a single cause of action for infringement of a trade-mark registered in the United States Patent Office and for unfair competition, does the doctrine of *Erie Railroad* v. *Tompkins,* 304 U. S. 64, compel the application of state law to the issue of unfair competition?

This is the exact question which this Court sought to determine in the recent case of *Pecheur Lozenge Co., Inc.,* v. *National Candy Co., Inc.,* 62 Sup. Ct. 853 [Cert. granted 314 U. S. 603], but was unable to do so because the trade-mark involved in that case was not registered under the Trade-Mark Act.

Opinions Below

The opinion of the Circuit Court of Appeals is reported at 128 Fed. (2d) 860. The opinion of the District Court is reported at 40 Fed. Supp. 249.

Statement

Plaintiff (Petitioner) distributes a magazine under the trade-mark LIFE, the mark appearing in white block letters against a flame red background (R. 3, 15, 17, 19). Defendant (Respondent) distributes a cereal under the name LIFE in white block letters against a flame red background, adding in inconspicuous form the words "of wheat" (R. 21; Ex. 7* to Heiskell Aff., R. 28). This is the essence of plaintiff's complaint.

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*Because of their bulk, certain exhibits are not included in, but accompany, the printed record.

Plaintiff has registered in the United States Patent Office its trade-mark LIFE as used in this unique and distinctive manner, *i.e.*, in large white block letters against a flame red background (R. 17, 19). The complaint is based both upon infringement of plaintiff's registered trade-marks and upon unfair competition, set up in one cause of action [*Armstrong Paint & Varnish Works* v. *Nu-Enamel Corp.*, 305 U. S. 315].

In the District Court, plaintiff moved for a preliminary injunction (R. 25-6); defendant, prior to answer, moved to dismiss the complaint and for judgment on the pleadings (R. 55-7). Plaintiff's motion was denied (R. 46-53); defendant's motions were granted (R. 67, 46-53). Plaintiff appealed from the granting of defendant's motions and the Circuit Court of Appeals affirmed (R. 80-4). The Circuit Court in effect held that there was no infringement of the registered trade-marks because the products of plaintiff and defendant to which the marks were attached were completely dissimilar and therefore the products were not of the same descriptive properties (R. 81). With respect to the unfair competition aspects of the case, the Circuit Court held that Illinois state law must be applied (R. 81-3) which law it construed against plaintiff (R. 83-4).

REASONS FOR GRANTING THE WRIT

The Court below has decided an important question of Federal Law which has not been, but should be, settled by this Court.

The question whether under *Erie Railroad* v. *Tompkins* state law must be applied in an action brought both for infringement of trade-marks registered in the United States

Patent Office and for unfair competition, is a novel one in this Court. The question presented in the instant case is the precise ground upon which this Court granted an application for a writ of certiorari in the recent *Pecheur* case [62 Sup. Ct. 853]: Whether local law or federal law should have been applied in a suit in which alleged infringement of a trade-mark registered in the United States Patent Office and unfair competition in respect of that trade-mark are joined in one cause of action based upon the same facts.

The Circuit Court has said that although the question of infringement of the registered trade-mark is one to be determined by federal law, nevertheless, state law must be applied to the unfair competition issues. If federal law had been applied by the Circuit Court to the question of unfair competition, there would have been no question but that the complaint stated a good cause of action. [*Vogue Co.* v. *Thompson-Hudson Co.*, 300 Fed. 509]. The dismissal of the action by the Circuit Court was solely the result of that Court's holding that it was compelled by *Erie Railroad* v. *Tompkins* to apply Illinois state law. Once having determined that Illinois state law must be applied to the unfair competition question, it then proceeded to interpret the Illinois law as being contrary to the rule established by leading federal cases, despite the fact that a number of Illinois cases had cited the *Vogue* case with approval. [*Investors Syndicate of America* v. *Hughes*, 378 Ill. 413; *Soft-Lite Lens Co.* v. *Ritholz*, 301 Ill. App. 100]. In thus interpreting *Erie Railroad* v. *Tompkins*, it is submitted that the Circuit Court of Appeals for the Seventh Circuit has decided, and we submit erroneously, an important question of federal law which has not been, but should be, settled by this Court.

ARGUMENT

The Erie Doctrine Is Limited to Cases Where Federal Jurisdiction Is Based on Diversity

The basic purpose underlying the decision of this Court in *Erie Railroad* v. *Tompkins* would seem to be to eliminate the divergence in the rules of law applied by the federal and state courts to cases substantially identical on their facts and differing only in that diversity of citizenship gives the federal court jurisdiction over one but not the other. As Mr. Justice Brandeis stated [304 U. S. 64, 74], the vice of *Swift* v. *Tyson* [16 Pet. 1] which was to be eliminated by *Erie* v *Tompkins* was that it

> "introduced grave discrimination by non-citizens against citizens. It made rights enjoyed under the unwritten 'general law' vary according to whether enforcement was sought in the state or in the federal court; and the privilege of selecting the court in which the right should be determined was conferred upon the non-citizen. Thus, the doctrine rendered impossible equal protection of the law."

That this was the purpose and result of the *Erie* opinion is also clear from later expressions of this Court applying the doctrine. This was recognized by Mr. Chief Justice Hughes in *Fidelity Union Trust Company* v. *Field,* 311 U. S. 169, 180:

> "It is inadmissible that there should be one rule of state law for litigants in the state courts and another rule for litigants who bring the same question before the federal courts owing to the circumstance of diversity of citizenship."

Since *Erie* v. *Tompkins,* it is settled that where a federal court acquires jurisdiction solely by reason of diversity of citizenship, it is required to apply the local state law rather than any federal common law. Thus, a non-resident and resident are subject to the same rules whether applied by the federal court or by the state court.

The Erie Doctrine Is Not Applicable to Cases Arising Under the Trade-Mark Act

The basis of the *Erie* doctrine being to eliminate the express evil resulting from application of divergent laws to the same set of facts merely because there is diversity of citizenship, it is submitted that the doctrine should have no application where there is an independent basis for the federal court's jurisdiction. This is particularly true in a situation such as that presented in the instant case where federal jurisdiction is based upon the Trade-Mark Act. In the instant case, claims of infringement of a registered trade-mark and unfair competition are combined in one cause of action, jurisdiction being based upon the doctrine of *Hurn* v. *Oursler,* 289 U. S. 238, as applied in *Armstrong Paint & Varnish Works* v. *Nu-Enamel Corp.,* 305 U. S. 315, to suits involving registered trade-marks and unfair competition. Unless the *Erie* doctrine is limited to cases where diversity of citizenship is the sole basis of jurisdiction, then in a case such as the instant one, issues concerning the registered trade-mark will be determined by reference to federal law, but the closely connected claim of unfair competition based upon the identical facts and inextricably interwoven with the trade-mark issues will be governed by divers state laws. The application of different sources of governing law to similar issues in the same

cause of action based upon identical facts compelling courts and litigants to resort to both federal and state law would indeed create an evil far more serious than that which arose out of the *Swift* v. *Tyson* doctrine.

The policy enunciated by this Court in *Armstrong* v. *Nu-Enamel* militates strongly in favor of petitioner's position in the instant case. There this Court, following the principle previously laid down in *Hurn* v. *Oursler,* held that where a single cause of action is pleaded for infringement of a registered trade-mark and for unfair competition even though the infringement ground, which was the basis of federal jurisdiction, is dismissed, nevertheless "jurisdiction should be continued to determine, on substantially the same facts, the issue of unfair competition" (p. 325).

As this Court stated in the *Armstrong* case (pp. 324-5):

> "* * * Once properly obtained, jurisdiction of the one cause of action, the alleged infringement of the trade-mark, persists to deal with all grounds supporting it, including unfair competition with the marked article. The cause of action is the interference with the exclusive right to use the mark 'Nu-Enamel.' If it is a properly registered trade-mark, a ground to support the cause of action is violation of the Trade-Mark Act. If it is not a properly registered trade-mark, the ground is unfair competition at common law. The facts supporting a suit for infringement and one for unfair competition are substantially the same. They constitute and make plain the wrong complained of, the violation of the right to exclusive use."

Likewise, in the *Oursler* case, this Court pointed out that claims of infringement and unfair competition are merely different grounds asserted in support of the same cause of action and said (p. 246):

> "Indeed, the claims of infringement and unfair competition so precisely rest upon identical facts as to be little more than the equivalent of different epithets to characterize the same group of circumstances. The primary relief sought is an injunction to put an end to an essentially single wrong, however differently characterized, not to enjoin distinct wrongs constituting the basis for independent causes of action."

Since the wrong complained of as constituting both infringement of a registered trade-mark and unfair competition is the same and the facts supporting the claims are necessarily substantially the same, nothing but confusion and uncertainty can result from the application of different laws, that is, federal law in determining infringement, and state law in determining unfair competition. It is submitted that the only orderly procedure would be to apply federal law to both aspects of the same wrong. This procedure in no way violates the spirit of the *Erie* doctrine.

Thus, in the instant case, the application of federal law to the claim of unfair competition as well as to the claim of infringement of the registered trade-mark, where both are combined in one cause of action, in no way results in the evil sought to be eliminated by the *Erie* doctrine. Here, there is presented no question of conflicting laws being applied as between citizens and non-citizens, the jurisdiction being based not on diversity, but rather on a federal question on which basis either citizen or non-citizen may invoke the jurisdiction of the federal court.*

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*An exhaustive discussion of this problem appears in the Columbia Law Review for June 1942 (*Erie* v. *Tompkins:* In Relation to the Law of Trade-Marks and Unfair Competition).

Wherefore, petitioner respectfully prays that a Writ of Certiorari be issued out of and under the seal of this Court, directed to the United States Circuit Court of Appeals for the Seventh Circuit, commanding said court to certify and send to this Court, on a day to be designated, a transcript of the record and of all proceedings in this cause, to the end that this cause may be reviewed and determined by this Court; that the judgment of the court below be reversed; and that the petitioner be granted such other and further relief as may be just and proper.

New York, September 11, 1942.

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